

<b>MAGNETIC SENSORS CORPORATION</b>		<b>TITLE: SUPPLIER QUALITY REQUIREMENTS</b>		<b>DOCUMENT #:</b> PUR-06	Initial Date	3/26/18
	Sign	Date			Rev.	A
Process owner	E.B.	9/30/19			Rev. Date	9/30/19
Mgr. or Designee	M.G.	9/30/19				

**PURPOSE**

This document describes the quality requirements assigned on purchase orders for all products, materials, and services.

**SCOPE**

This document applies to all Purchase Orders generated at Magnetic Sensors Corporation (MSC). If there is any conflict between this document and customer contractual and/or legal requirements the latter will take priority.

**SUPPLIER**

It is the supplier’s responsibility to ensure that clauses are being processed as required by the purchase order.

**GENERAL REQUIREMENTS**

**SUPPLIER (SUB-TIER) CONTROL**

The subcontractor shall be responsible for flow down of all the requirements and provisions of MSC’s Purchase Orders or Delivery Receipts applicable to the subcontractor's subcontractors.

**FACILITY ACCESS**

During the performance of this Purchase Order or Delivery Receipt, your Quality Control or Inspection and Manufacturing process are subject to review, verification, and analysis by MSC and/or Government/Customer representatives. This requirement is applicable to the Subcontractor’s facilities where MSC products and services are processed as well as the Subcontractors sub-tiers.

**NON-CONFORMING MATERIALS CORRECTIVE ACTION (REJECTION NOTICES)**

Upon notification from MSC that material furnished by the subcontractor is found discrepant upon receipt, the subcontractor shall promptly notify MSC, in writing, of adequate and acceptable corrective action taken to eliminate the cause of the discrepancy. The Subcontractors response shall include (A) Cause of Defect, (B) Corrective Action Taken, (C) Action to Prevent Recurrence and, (D) Effectively Point of such Corrective Action. If Government Source Inspection is a requirement of the Purchase Order or Delivery Receipt, the subcontractor shall notify the cognizant Government representative so that they may participate in the investigation and corrective action.

**REPAIR**

Under no circumstances shall a Subcontractor or a Subcontractor's sub-tier perform any repair procedures/operations without specific written authorization from MSC.

**REWORKED/REPLACED MATERIAL**

When returning previously rejected material to MSC, the Subcontractor shall reference the rejection notice number on the shipping document and shall state if the items have been replaced or reworked.

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**RECORDS RETENTION**

The Subcontractor shall maintain adequate records of all inspections and tests. Records shall indicate the nature and number of observations made, the number and type of deficiencies found, the quantities approved and rejected, and the nature of corrective action taken as appropriate. This information and all supporting documentation such as raw material certifications, special processing records and certifications, manufacturing records, i.e., route sheets and traveler’s, shall be retained by the Subcontractor in accordance with the terms of the Purchase Order. When the Purchase Order is complete, such records shall be maintained and available to the buyer on request for a period of not less than ten (10) years from the closing of the Purchase Order.

**MARKING, PACKAGING, AND HANDLING**

In the performance of the contract, the Subcontractor shall assure that all items are packaged in a manner and with materials necessary to prevent deterioration, corrosion, or damage. Requirements for packaging shall consider conditions affecting the item while at the subcontractor’s plant, during transit and the expected or specified conditions at the destination. The subcontractor shall provide enough packaging for articles sensitive to handling damage. During fabrication and processing, special carts, boxes, containers, and transportation vehicles shall be used as necessary to prevent damage due to handling.

This identification shall be as specified by the drawing, Purchase Order. The identification shall be of adequate size as to be legible. If no identification requirements are specified by Drawing, Purchase Order, the container or packaging shall be marked with the Part Number and Purchase Order number as a minimum.

**DELAYS MANAGEMENT**

When a delay occurs at the site of the subcontractor or in a process that the subcontractor is responsible for (including subcontractor’s supplier), the subcontractor shall notify MSC within 24 hours. A SCAR will be issued from MSC to the subcontractor to identify and mitigate the cause of delay.

**KEY PERFORMANCE INDICATORS (KPI) /PROCESS MONITORING**

The subcontractor shall identify and monitor internal/external key performance/processes throughout their supply chain. SMART (Specific, Measurable, Attainable, Relevant, and Time-Bound) practices shall be implemented at the subcontractor’s facility.

**SUB-TIER MONITORING**

The subcontractor shall monitor all sub-tier activities and report to MSC within 24 hours of sub-tier delays that affect the product and/or service for MSC. This includes, but is not limited to the monitoring of KPIs, Capacity, and Capability of subcontractors.

**SUPPLIER INVOLVEMENT**

The subcontractor’s contribution to the part affects product conformity and safety. Ethical behavior is highly recommended in all aspects of the subcontractors' contribution to the product. This includes, but is not limited to a skilled workforce, trained and competent to the required job function.

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## **SPECIFIC REQUIREMENTS**

### **1 QUALITY SYSTEM**

Supplier shall implement, document and maintain a Quality Management System in accordance with applicable requirements of AS9100, ISO 9001 or AC7004 series standards and additional requirements specified on Buyers contract or purchase order. The applicable requirements set forth shall flow to the sub-tier supply chain involved with this order or contract. The Quality Management system shall be appropriate to the products the supplier manufactures, sells, processes and shall cover all activities concerned by MSC contracts or purchase orders.

### **2 CALIBRATION SYSTEM**

Supplier's calibration system shall meet the requirements of MIL-STD-45662, ISO/IEC 17025 AS9100 or ISO9001.

### **3 INSPECTION RECORDS**

Inspection records shall indicate which characteristics were inspected, quantity accepted, and quantity rejected. Statistical Sampling is an acceptable method of inspection. Nonconforming material shall be identified and segregated to preclude intermingling with conforming material.

### **4 SUPPLIER'S QUALITY PLAN**

The supplier shall prepare and maintain a documented quality plan applicable to the material or process being supplied to MSC.

### **5 SURVEILLANCE AT SUPPLIER'S PLANT**

MSC, its customers, and regulatory agencies may visit all facilities and review all applicable records involved in the order at any time for the purpose of assuring conformance to terms of the contract. MSC, its customer or regulatory agency representative shall have the right to maintain surveillance of the supplier's quality program including access to and disapproval of any of the implementing procedures and methods or other elements of the program. MSC, its customer or regulatory agency representative shall have the right to coordinate with the supplier and establish those manufacturing points at which they may perform inspection of product characteristics. MSC, its customer or regulatory agency representative may conduct or require the supplier to conduct specific inspections and tests to assure product conformance to contract requirements. Inspection, test, and manufacturing operations performed by the supplier may be witnessed in whole, or in part, by MSC, its customer or regulatory agency representative. None of the foregoing actions on the part of MSC shall constitute justification for increase in price of supplies and/or services covered by the contract.

### **6 SUPPLIER'S RESPONSIBILITY**

The Seller is responsible for compliance with all provisions of the contract and for furnishing materials and/or processes which meet all requirements of the contract. If any materials and/or processes are procured from sub-tier suppliers, all requirements must be flowed down to the supply chain. The seller is fully responsible for the conformance of any materials or processes procured from sub-tier suppliers. The seller shall notify MSC of changes in product and/or

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process, changes of suppliers, changes of manufacturing facility location and, where required, obtain organization approval.

**7 GOVERNMENT SURVEILLANCE**

The government reserves the right to inspect any of the material included in this purchase order or subcontract in accordance with the general specifications for the inspection of material.

**8 GOVERNMENT SOURCE INSPECTION**

Government source inspection (GSI) is required prior to shipment from the supplier’s plant. Upon receipt of this purchase order, the supplier shall promptly furnish a copy to the government inspector who normally services the supplier’s plant. In the event delivery of the items will be delayed due to GSI requirements, the supplier shall notify MSC immediately. Evidence of GSI must be indicated on all shipping documents.

**9 CERTIFICATE OF CONFORMANCE**

Each shipment shall be accompanied by one (1 legible and reproducible copy of a Certification Document (Certificate of Conformance, Shipper, Packing List, etc.) that includes the identification (signature, electronic signature, stamp, etc.) of the person authorizing release of product assuring the items ordered were produced in accordance with and conforming in all respects with all applicable requirements set forth in MSC’s Standard Purchase Order Terms and Conditions and/or its contract with Seller, including specifications, drawings, revision, marking requirements, physical item identification and electrical characteristics when applicable. When applicable, the supplier will issue a copy of the SDS (Safety Data Sheet) for hazardous material in addition to the certificate of conformance.

In addition, distributors will also provide manufacturers certifications included in the shipment that lists the nomenclature and latest revision as of the date of the purchase order.

**10 MATERIAL CERTIFICATION / COUNTERFEIT PARTS / MATERIAL PREVENTION**

- Seller shall establish and maintain a Counterfeit Parts / Material Prevention and Control Plan using AS-5553 (Ref. elements of Section 4) and/or AS6174 (Ref. elements of Section 3) to ensure that Counterfeit Work is not delivered to MSC.
- Original Component Manufacturer (OCM)/Original Equipment Manufacturer (OEM), OCM/OEM authorized distributor chain, Aftermarket Manufacturer, or Authorized Reseller.
- These products shall have verification that Work is traceable to OCM/OEM.
- Each shipment shall be accompanied by complete physical and chemical test data that meet the requirements of the applicable specifications and/or engineering drawings and identifies the material provider and the original lot or batch number.
- Seller shall notify MSC Quality Manager and MSC Buyer with the pertinent facts if Seller becomes aware or suspects that it has furnished Counterfeit Work. Seller shall provide to MSC Quality Manager and MSC Buyer, upon request, the supply chain traceability to an Original Manufacturer or authorized distributor chain that identifies the name and location of all the supply chain intermediaries from the part manufacturer to the direct source of the product for the Seller.

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- Seller shall include this clause or equivalent provisions in lower tier subcontracts for the delivery of items that will be included in or furnished as Work to MSC Buyer.
- Supplier should deliver products free of the so called conflict minerals (tin, tantalum, tungsten and gold) as stated in Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the US Securities and Exchange Commission (SEC) which require public companies to report the origin of minerals stated above if they are sourced directly or indirectly from Democratic Republic of Congo, Angola, Burundi, Central African Republic, Rwanda, South Sudan, Tanzania, Uganda, and Zambia.
- Parts Obsolescence - When Supplier has knowledge that any hardware item or material to be provided in performance of this purchase order is obsolete, is marked for impending obsolescence, or has an established end of production date, Supplier shall immediately give initial notice thereof, including all relevant information with respect thereto, to MSC Buyer. Such notice shall include, but not be limited to:
  1. Complete details of which parts are affected, including rated Mean Time Between Failures (MTBF), where available;
  2. Date of obsolescence;
  3. End of production date;
  4. Reason for obsolescence;
  5. Pricing and availability of last time buy;
  6. Supportability terms (repair and warranty) for last time buy; and
  7. Supplier's recommendation for replacement hardware inclusive of known impacts to performance, pricing, availability, and lead time. Supplier's initial notifications of obsolescence shall be made through the end of the contracted warranty period for the Goods provided under this Order.

#### **11 TRACEABILITY**

Traceability shall be maintained from receipt of raw material through finished product. Records and material must be identified by a lot number, material type, specification, and applicable revision number, etc. Records shall be maintained on file subject to examination by MSC. Records shall be maintained {10} years minimum after the final delivery of the order.

#### **12 CORRECTIVE ACTION**

Upon receipt from MSC, the supplier shall complete a formal corrective action request form and return it to MSC Purchasing within the allotted time noted on the request. If the form cannot be returned within the allotted time a request for extension must be submitted within the originally allotted time.

#### **13 SHELF LIFE CONTROLLED MATERIAL**

Unless otherwise specified, time-sensitive material shall be furnished with a minimum of 80% of its shelf life remaining at date of receipt. Shelf life duration, date of manufacture and date of expirations shall be listed on the material certification.

#### **14 PACKAGING AND SHIPPING**

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The supplier shall package, crate, etc. materials in a manner which will prevent damage to the article during storage and/or transit.

**15 FIRST ARTICLE INSPECTION REPORTS**

When applicable, First Article Inspection (FAI) shall be performed and provided by the Seller in accordance with the requirements of AS9102. Refer to AS9102 Aerospace Standard “Aerospace First Article Inspection Requirement” to determine applicability. When documenting the FAI, the Seller may use the forms contained within AS9102 or their equivalent, so long as the forms contain all the information required by AS9102. Seller will deliver with the initial shipment of the FAI item a copy of the First Article Inspection Report (FAIR). Additionally, when a partial or re-accomplished FAI is performed as required by AS9102, Seller will provide a copy of such FAIR with the initial shipment of the FAI item.

Note: FAIR does not apply to procured standard catalog hardware or deliverable software as defined in the AS9102 Standard Applicability Section.

**16 PREFERENCE FOR DOMESTIC SPECIALTY METALS**

Any specialty metal incorporated in articles delivered under this order must be melted in the United States, its possession or in a qualifying country as defined in DFARS 252.225-7009. Please refer to DFARS clause located in the Government Websites for identification of Specialty Metals, as well as allowable exceptions.

Note: Melt Source certification is required with all shipments.

**17 NOTIFICATION/DISCLOSURE OF DEFECTS DISCOVERED AFTER DELIVERY**

The supplier shall notify MSC within ***ONE (1)*** business day of the discovery of nonconformities that may affect the already delivered product. The notification shall include a clear description of the discrepancy, parts affected, and quantities and date(s) delivered.

**18 QUALITY RECORDS**

Records providing objective evidence of conformity to requirements and of the effective operation of the Quality Management System shall remain legible, readily identifiable, and retrievable. The supplier shall retain such records on file for a minimum of (10) years or as specified by contract.

**19 FOD CONTROL PROGRAM**

Seller shall implement a FOD (Foreign Object Debris)/contamination control program to effectively contain and eliminate any sources of FOD or contamination. (see AS9100 7.5.1(i)) FOD prevention program shall comply with prime user requirements as applicable.

**20 RISK MANAGEMENT/MITIGATION**

Risk management is essential in meeting MSC requirements. The supplier is responsible for risk management and taking action to mitigate risks. As risks are identified these actions may be used to mitigate/ resolve risks.

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Prior to the acceptance of contract or purchase order, relevant risk criteria shall be assessed to identify risk and determine feasibility. Criteria may include but are not limited to:

- Engineering data (e.g., drawings, models, specifications, etc.) are made available,
- MSC’s supplied quality requirements and/or vendor manual,
- Configuration plan,
- Quantity and delivery schedule,
- Lead time and cost for raw material and/or hardware items,
- Lead time and cost of outside processing (e.g., heat treat, plating, etc.),
- Cost of any non-recurring changes, if any,
- Labor hours and skill,
- Equipment (e.g., tooling, fixtures, and resources),
- Inspection and test plans,
- Any special requirements and expectations not stated in the request.

On high-risk orders:

- The Supplier must notify MSC when high-risk situations are detected:

**21 ITAR CONTROLLED**

Any technical data you receive from MSC, in any form, in fulfilling this purchase order is EXPORT CONTROLLED DATA. It contains information governed by the U.S. International Traffic in Arms Regulations (ITAR) under the U.S. Department of State, or the U.S. Export Administration Regulations (EAR), under the U.S. Department of Commerce. This information may not be exported, released, or disclosed to a foreign person/entity without proper authorization by the U.S. Departments of State or Commerce. Violations may result in administrative, civil, or criminal penalties.

**22 CHEMICAL, PHYSICAL AND PROCESS TEST REPORTS**

Each shipment must be accompanied by one (1) legible and reproducible copy of all chemical and physical test reports identifiable with materials ordered. The reports must contain the signature and title of the authorized representative of the agency performing the test and must assure conformance to specification requirements.

When applicable, each shipment shall be accompanied by one (1) legible and reproducible copy of a certificate that must include the signature and title of the person authorizing release of product certifying all processes used, such as heat treating (HT), chemical processing (CP), non-destructive (NDT), etc. The certificate shall include the processing used, the specification to which they conform including revision level and the name of the agency that performed them if other than the seller (I.e. sub-vendor).

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**23 OZONE DEPLETING SUBSTANCES (ODS)**

Class I Ozone Depleting Substances (ODS) shall not be used in the design, test, manufacture, integration and assembly, handling, transportation, operations, maintenance or disposal of the hardware/components delivered to this order.